

Audited Financial Statements

San Ysidro Health Center, Inc.

For The Years Ended December 31, 2014 and 2013

San Ysidro Health Center, Inc.

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*INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

Board of Directors
San Ysidro Health Center, Inc.
San Ysidro, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Ysidro Health Center, Inc. (the "Center"), which comprise the balance sheets as of December 31, 2014 and 2013 and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Ysidro Health Center, Inc. as of December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2015, on our consideration of the entity's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CAW. LLP

Fresno, California
March 26, 2015

San Ysidro Health Center, Inc.
Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,792,596	\$ 5,995,631
Patient accounts receivable, net	5,931,891	6,565,547
Grants, contracts and other receivables	1,515,863	2,247,836
Estimated third-party payor settlements	-	1,959,152
Inventories	358,567	360,248
Prepaid assets	523,854	614,144
Assets limited as to use, current portion	1,145,801	2,628,062
Total current assets	22,268,572	20,370,620
Assets limited as to use	2,354,792	2,531,098
Property and equipment, net	74,564,024	73,239,504
Other assets	3,017,821	2,956,968
Total assets	\$ 102,205,209	\$ 99,098,190
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,771,509	\$ 4,671,018
Accrued compensation	4,691,024	4,425,302
Long-term debt, current portion	920,159	914,221
Estimated third-party payor settlements	1,261,377	-
Deferred revenue	378,705	324,323
Total current liabilities	12,022,774	10,334,864
Long-term debt	47,304,397	50,341,685
Total liabilities	59,327,171	60,676,549
Unrestricted net assets	42,784,439	38,069,339
Temporarily restricted net assets	93,599	352,302
Total net assets	42,878,038	38,421,641
Total liabilities and net assets	\$ 102,205,209	\$ 99,098,190

See accompanying Notes to the Financial Statements

San Ysidro Health Center, Inc.
Statements of Operations and Changes in Net Assets
For the years ended December 31, 2014 and 2013

	2014	2013
Change in Unrestricted Net Assets:		
Revenue and other support:		
Patient and third party revenue, net	\$ 78,350,164	\$ 68,967,780
Grant revenue	15,536,685	16,187,896
Other	1,434,303	1,824,225
Interest	36,373	17,049
Net assets released from restriction	320,896	105,526
Total unrestricted revenue and other support	95,678,421	87,102,476
Expenses:		
Salaries and benefits	59,831,501	54,934,445
Medical supplies and drugs	9,805,180	9,365,925
Medical contractual services	2,440,974	2,435,632
Purchased services	7,077,597	6,246,150
Space costs	2,809,676	2,720,455
Other	1,935,334	1,793,312
Depreciation and amortization	3,930,423	2,936,519
Office and other consumable supplies	956,813	903,660
Repairs and maintenance	1,378,636	730,628
Communications	523,363	468,379
Travel, conferences and meetings	431,310	414,731
Insurance	459,154	369,828
Minor equipment	423,582	424,474
Interest	1,625,037	1,383,039
Total expenses	93,628,580	85,127,177
Excess of revenues over expenses	2,049,841	1,975,299
Gain on forgiven debt	2,665,259	-
Loss on disposal of building	-	(775,860)
Change in unrestricted net assets	4,715,100	1,199,439
Change in Temporarily Restricted Net Assets:		
Contributions	62,193	165,739
Net assets released from restriction	(320,896)	(105,526)
Change in temporarily restricted net assets	(258,703)	60,213
Change in net assets	4,456,397	1,259,652
Net Assets:		
Beginning of year	38,421,641	37,161,989
End of year	\$ 42,878,038	\$ 38,421,641

See accompanying Notes to the Financial Statements

San Ysidro Health Center, Inc.
Statements of Cash Flows
For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 4,456,397	\$ 1,259,652
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,554,068	2,936,519
Loss on disposal of building	-	775,860
Gain on forgiven debt	(2,665,259)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	633,656	(1,416,324)
Grants, contracts, and other receivables	731,973	(387,747)
Inventories	1,681	(24,555)
Prepaid assets	90,290	(110,729)
Other assets	(213,771)	(2,532,052)
Accounts payable and accrued expenses	100,491	996,024
Accrued compensation	265,722	677,942
Estimated third-party payor settlements	3,220,529	(365,107)
Deferred revenue	54,382	29,974
Net cash provided by operating activities	10,230,159	1,839,457
Cash flows from investing activities:		
Assets limited as to use	1,658,567	(5,159,160)
Acquisition of property and equipment	(5,102,025)	(29,405,662)
Net cash used in investing activities	(3,443,458)	(34,564,822)
Cash flows from financing activities:		
Change in line-of-credit	-	(1,344,151)
Proceeds from debt issuance	8,175,000	40,854,116
Principal payments on long-term debt	(8,164,736)	(4,559,807)
Net cash provided by financing activities	10,264	34,950,158
Net increase in cash and cash equivalents	6,796,965	2,224,793
Cash and Cash Equivalents:		
Cash at beginning of year:	5,995,631	3,770,838
Cash at end of year:	\$ 12,792,596	\$ 5,995,631
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,625,037	\$ 1,383,039

See accompanying Notes to the Financial Statements

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note A: Summary of Significant Accounting Policies

Organization and Operations:

Centro De Salud De La Comunidad De San Ysidro, Inc. (d/b/a San Ysidro Health Center, Inc.) (the "Center"), a not-for-profit organization, was organized as a volunteer program in August 1968 by local area residents and incorporated in 1971, for the purpose of providing low-cost, high quality, comprehensive primary care services to residents of San Diego County's South Bay Region. In addition to its principal healthcare center in San Ysidro at 4004 Beyer Boulevard, the Center provides health services at National City Family Clinic, Chula Vista Family Clinic, South Bay Family Dental Clinic, Otay Family Health Center, South Bay Family Health Center, Comprehensive Health Center (CHC) – Ocean View, CHC – Downtown, CHC – Euclid, San Diego Children's Dental Clinic, Maternal Child Health Center, and Paradise Health Family Center, as well as several satellite offices. The Center provides a variety of medical, dental, mental health, health education and enabling services. The Center derives its support through grants and contracts with the U.S. Department of Health and Human Services ("DHHS"), the State of California, the County of San Diego, and various other entities. Additionally, revenues are derived from patient fees and third party charges.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The checking and investments are on deposit with various financial institutions. As of December 31, 2014 and 2013 the carrying amount of all the accounts, excluding petty cash and net of outstanding checks were \$ 12,781,976 and \$5,984,216, respectively. Of the bank balances, per the various financial institutions as of December 31, 2014 and 2013, \$760,000 and \$750,000, respectively was covered by federal depository insurance and \$12,021,976 and \$5,234,216, respectively, was uninsured.

Accounts Receivable:

Accounts receivable are recorded at gross value along with a corresponding allowance for doubtful accounts. Allowance accounts are estimated for each type of receivable based on the Center's experience in collecting those receivables.

Third-Party Contractual Agreements:

The Center has agreements with Medicare that provide payments under a cost-based reimbursement system and with Medi-Cal that provide payments under the Prospective Payment System ("PPS"). In the case of Medicare, reasonable estimates are made and reported in the period services are rendered, and differences between the estimates and actual receipts are included in the statement of operations in the period in which they are determined. In the case of Medi-Cal, payments under the PPS system are final, unless the number of reimbursable visits is changed as a result of an audit by the State of California, Department of Healthcare Services. In addition, under the Medi-Cal PPS, the Center may apply for a change-in-scope of services annually. This process may result in additional Medi-Cal reimbursement for the Center.

Inventories:

Inventories consist of pharmaceutical, medical and office supplies and are stated at cost. Due to rapid turnover of supplies, cost approximates market value.

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note A: Summary of Significant Accounting Policies (continued)

Property, Building and Equipment:

Land, building and equipment are carried at cost or estimated fair value at date of acquisition. The Center capitalizes all acquisitions greater than \$5,000. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Leasehold improvements are amortized on a straight-line method over the estimated useful life of the improvement or the term of the lease, whichever is less. Construction-in-progress is recorded at cost and is capitalized upon completion. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

Temporarily and Permanently Restricted Net Assets:

Contributions, including government grants and contracts, are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restrictions ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Income Taxes:

San Ysidro Health Center, Inc. is a private not-for-profit corporation organized under the laws of the State of California. The Center has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the State of California Revenue and Taxation Code by the IRS and Franchise Tax Board, respectively. Accordingly, no provision for income taxes is included in the accompanying financial statements. The tax years of 2010 through 2013 remain open and subject to examination by the appropriate government agencies in the United States and California.

Revenue Recognition:

Patient service revenue is recorded at the Center's established rates adjusted for sliding fee scale discounts, provisions for uncollectible accounts and third-party contractual allowances to arrive at net service revenue. Revenue from government grants and contracts restricted for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Cash received in excess of revenue recognized is recorded as refundable advances.

Comparative Data:

Certain prior year amounts have been reclassified to conform to current year financial statement presentation.

Subsequent Events:

The Center has evaluated events and transactions that occurred after December 31, 2014, and through March 26, 2015, the date the financial statements were available to be issued.

Assets Limited as to Use:

Assets limited as to use consist of cash held under bond indenture agreements.

Other Assets:

Other assets consist of deposits and costs incurred in issuing the insured revenue bonds that are being amortized based on the straight line method.

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note A: Summary of Significant Accounting Policies (continued)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management believes these estimates are reasonable.

Note B: Fair Value of Financial Instruments

Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, requires the fair value of financial assets and liabilities to be determined using a specific fair-value hierarchy. The objective of the fair value measurement of financial instruments is to reflect the hypothetical amounts at which the Center could sell assets or transfer liabilities in an orderly transaction between market participants at the measurement date. FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets;

Level 2 - Observable inputs other than Level I prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets;

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The Center's investments are classified within Level 1 of the fair-value hierarchy. The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014:

	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
December 31, 2014:				
Money market funds	\$ 9,782,833	\$ 9,782,833	\$ -	\$ -
Total	<u>\$ 9,782,833</u>	<u>\$ 9,782,833</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2013:				
Money market funds	\$ 3,779,692	\$ 3,779,692	\$ -	\$ -
Total	<u>\$ 3,779,692</u>	<u>\$ 3,779,692</u>	<u>\$ -</u>	<u>\$ -</u>

The carrying amounts reported in the balance sheets for other financial assets and liabilities that are not measured at fair value on a recurring basis including patient accounts receivable, grant, contracts and other receivables, estimated third party-payor settlements, accounts payable and accrued expenses, accrued compensation, deferred revenue, and long term debt approximate fair value.

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note C: Patient Accounts Receivable

Patient accounts receivable are comprised of the following payors at December 31, 2014 and 2013:

	2014	2013
Medicare	\$ 538,623	\$ 453,963
Medi-Cal	3,244,914	3,401,591
Other third-party payors	1,608,275	1,904,155
Private pay	2,694,289	2,242,778
Total patient accounts receivable, gross	8,086,101	8,002,487
Less allowance for doubtful accounts	(2,154,210)	(1,436,940)
Total patient accounts receivable, net	\$ 5,931,891	\$ 6,565,547

Note D: Grants, Contracts and Other Receivables

Grants and contract receivables are comprised of the following at December 31, 2014 and 2013:

	2014	2013
County of San Diego - Mental Health Program	\$ 78,085	\$ 150,390
Women, Infants and Children program	668,028	711,158
AIDS program	396,591	306,305
SDCDC – CDBG Grant	-	592,805
Research Projects	105,520	153,200
Miscellaneous grants and other receivables	267,639	333,978
Total	\$ 1,515,863	\$ 2,247,836

Note E: Property and Equipment

Land, building and equipment at December 31, 2014 and 2013 was comprised of the following:

	2014	2013
Land	\$ 3,889,055	\$ 3,112,212
Construction-in-progress	2,775,452	1,778,257
Building	67,402,988	66,601,813
Leasehold improvements	2,406,435	1,329,775
Equipment	19,016,612	17,568,635
Subtotal	95,490,542	90,390,692
Accumulated depreciation	(20,926,518)	(17,151,188)
Total	\$ 74,564,024	\$ 73,239,504

Construction-in-progress at December 31, 2014 and 2013 consisted primarily of various site renovations.

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note F: Estimated Third-Party Payor Settlements

The Center has recorded an estimated liability of \$1,261,377 as of December 31, 2014 and an estimated receivable of \$1,959,152 as of December 31, 2013. These balances comprise estimated settlements related to PPS Reconciliation Requests as well as an initial Rate Setting Cost Report for the Paradise Hills location. Management periodically evaluates estimated third-party payor settlements based on the current information available and believes the final settlements will not materially affect the financial statements of the Center.

Note G: Accrued Compensation

The balance of accrued compensation at December 31, 2014 and 2013 was comprised of the following:

	2014	2013
Accrued payroll	\$2,305,180	\$1,986,694
Accrued vacation	1,942,280	1,798,444
Accrued other liabilities	443,568	640,164
Total	\$4,691,028	\$4,425,302

Note H: Donated Services and Facilities

Donated services are those services which have been received, valued and recorded. Contributed services are those services which are received but not valued or recorded. It is the policy of Center to encourage contributions from the greater San Diego Metropolitan area. Donated services and facilities are valued at prevailing market rates. Certain immaterial services and facilities contributed to the Center have not been valued or recorded

Note I: Deferred Revenue

Deferred revenue consists of the following at December 31, 2014 and 2013:

	2014	2013
Kaiser Permanente Health Education	\$ -	\$ 5,785
Amigos de CASA	4,700	4,477
Blue Shield of California Foundation	8,750	8,750
CASA Donations	79,170	50,798
The San Diego Foundation	526	7,120
Poder Foundation	12,472	23,914
Retail Opportunity Investments Corp	24,884	24,884
Other	248,203	198,595
Total	\$ 378,705	\$ 324,323

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note J: Long-term Debt

Long-term debt consists of the following at December 31, 2014 and 2013:

	2014	2013
The Center entered into an agreement with California Bank & Trust for an \$8,175,000 tax exempt loan. The loan bears interest 4.25% per annum, amortized over 30 years, resulting in monthly payments of \$40,437. The note matures December 1, 2024 and is secured by the Center's assets.	\$ 8,175,000	\$ -
The Center entered into two notes with National Cooperative Bank for a combined total of \$10,000,000 at 6.14% and 2.898% fixed annual interest. The notes are payable in interest only quarterly payments for the first seven years. The Notes were entered into in 2007, matures in 2022, and are secured with the Center's real property and assets.	-	10,000,000
The Center entered into a loan agreement with National Cooperative Bank for \$550,000 at a 3.175% annual interest rate. Monthly payments are \$9,926 for 60 months. The note matures in 2018 and is secured with the Center's assets.	385,352	490,347
On March 19, 2014 the Center issued \$37,730,000 of Insured Revenue Bonds through the California Municipal Finance Authority. The Bonds bear interest at rates ranging from two to five percent, payable semi-annually, commencing September 1, 2013. The bonds were issued at a premium of \$3,124,116, which is amortized over the life of the bonds and are secured by the Center's property.	39,664,204	40,765,559
Total long-term debt	48,224,556	51,255,906
Less: current portion	(920,159)	(914,221)
	\$47,304,397	\$50,341,685

The Center is subject to certain financial covenants including but not limited to, a minimum current ratio and a net worth ratio. The Center met all the debt covenants at December 31, 2014 and 2013.

The Center has obtained a line-of credit of \$3,660,000 as of December 31, 2014. The Center has not drawn on that line-of-credit as of December 31, 2014 and 2013.

Future principal payments are as follows for the years ended December 31:

Year	Principal
2015	\$ 920,159
2016	928,284
2017	964,078
2018	924,476
2019	911,874
Thereafter	43,575,685
Total	\$48,224,556

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note K: Commitments and Contingencies

Operating Lease Commitments:

The Center leases certain facilities and equipment under operating leases expiring at various times through 2014. Future minimum lease payments for the succeeding five years under these committed lease arrangements is approximately: \$889,819 in 2015; \$381,150 in 2016; \$279,486 in 2017, \$39,607 in 2018, and \$0 in 2019. Total rent expense for the years ended December 31, 2014 and 2013 was \$1,595,115 and \$1,842,225, respectively.

Medical Malpractice Claims:

The Center is deemed an employee of the federal government and is covered for malpractice insurance under the Federal Tort Claims Act ("FTCA"). The Center also has supplemental Professional Liability coverage for individual claims up to \$2,000,000 and aggregate annual claims up to \$4,000,000. The Center has on-going litigation claims as result of its normal course of operations; however, in the opinion of management, these claims will be fully covered by the Center's insurance coverage and will not have a material adverse effect upon the financial statements.

Retirement Plan:

The Center sponsors a non-ERISA 403(b) plan covering substantially all of its employees. The accounts are held entirely in the names of the participants without direction from the Center for any of their activities. Contributions to the plans are discretionary. The board of directors decided that no contribution would be made for the years ended December 31, 2014 and 2013.

Note L: Net Patient Revenue

The Center has agreements with third-party payors that provide payments to the Center at amounts different from its established rates. A summary of the payment agreements with third party payors follows:

Medicare:

Medical services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Center is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of the annual cost report by the Center and audit thereof by the fiscal intermediary.

Medi-Cal:

Medical and dental services rendered to Medi-Cal beneficiaries are paid under the Prospective Payment System (PPS) using rates established by the Center's "Base Year" cost report filed under the previous cost based reimbursement system. These rates are adjusted annually according to changes in the Medicare Economic Index and any approved changes in the Center's scope of service.

San Ysidro Health Center, Inc.
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013

Note M: Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party agreements. The mix of accounts receivables from patients and third-party payors at December 31, 2014 and 2013 was as follows:

Payor Class	2014	2013
Medicare	7%	6%
Medi-Cal	40%	42%
Other third-party payors	20%	24%
Private pay	33%	28%
Total	100%	100%

Note N: Functional Expenses

The Center provides healthcare services primarily to residents within its geographic area. Expenses related to providing these healthcare services are as follows:

	2014	2013
Healthcare services	\$ 74,281,453	\$ 66,246,196
General and administrative	19,347,127	18,880,981
Total	\$ 93,628,580	\$ 85,127,177

SINGLE AUDIT REPORTS

San Ysidro Health Center, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2014

Federal Grant / Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Programs:		
Community Health Custer	*93.224	\$ 7,440,266
ACA – Grants for School-Based Health Centers Capital Program	93.501	3,871
Healthy Tomorrow’s Partnership for Children	93.110	33,622
Special Projects of National Significance	93.928	35,590
Youth Empowerment Program	93.910	20,523
Women’s Partner Program	93.015	124,351
Ryan White Title III	*93.918	583,408
		<u>\$ 8,241,631</u>
Passed Through:		
Family Health Centers of San Diego:		
AIDS Prevention	93.939	29,764
County of San Diego:		
Ryan White Care Act: Early Intervention Services - CASA	93.914	84,512
Ryan White Care Act: Early Intervention Services - Our Place	93.914	81,754
Ryan White Care Act: Early Intervention Services - Field Outreach	93.914	88,677
Ryan White Care Act: HIV Case Management	93.914	300,147
Ryan White Care Act: Minority Aids Initiative QM	93.914	9,084
Ryan White Care Act: Minority Aids Initiative Integrated Services	93.914	177,837
Ryan White Care Act: Counseling and Testing	93.914	64,939
Ryan White Care Act: Expanded HIV Testing	93.943	203,006
Ryan White Care Act: Minority Aids Initiative Bridge South East	93.917	59,885
HIP Detention Facilities Program	93.940	81,959
HIP South Bay Program	93.940	118,864
HIP South East Program	93.940	90,404
University of California at San Francisco:		
Disparities in Children's Oral Health (GIFVT Project)	*93.121	583,667
Council Of Community Clinics		
Covered California Outreach	93.525	33,052
San Diego State University Research Foundation:		
LUNA Project	93.361	11,657
PRC Project	93.135	16,899
LUCES Project	93.847	68,441
California Family Health Council, Inc.:		
Title X Family Planning Program	93.217	120,900
University of the Pacific Dental School:		
Reorienting CA Oral Health Workforce Project	93.236	41,791
Total Department of Health & Human Services		<u>\$ 10,508,870</u>

San Ysidro Health Center, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2014

Federal Grant / Program Title	CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:		
Passed Through:		
California State Department of Health and Human Services Agency:		
Special Supplemental Food Program for Women, Infants and Children	10.557	\$ 2,660,010
California State Department of Public Health		
Network for Healthy California	10.561	90,297
U.S. DEPARTMENT OF TRANSPORTATION		
Passed Through:		
San Diego Association of Governments		
New Freedom Transportation Grant	20.521	45,000
Total federal financial assistance		<u>\$ 13,304,177</u>
* Denotes major program		

San Ysidro Health Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2014

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the expenditures of San Ysidro Health Center, Inc. (the “Center”) under programs of the federal government for the year ended December 31, 2014. Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows for the Center.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the Center, agencies, and departments of the federal government. The awards are classified into major program categories in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Note B: Basis of Accounting

For purposes of the Schedule, expenditures for federal programs are recognized on the accrual basis of accounting. Expenditures are determined using the cost accounting principles and procedures set forth in OMB Circular A-122, Cost Principles for Non-Profit Organizations.

Note C: Relationship of Schedule of Expenditures of Federal Awards to Financial Statements

Consistent with management’s policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards expended on the Schedule does not agree to total grant revenue on the Statement of Operations and Changes in Net Assets as presented in the Center's Report on Audited Financial Statements.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**Independent Auditor's Report

Board of Directors
San Ysidro Health Center, Inc.
San Ysidro, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Ysidro Health Center, Inc. (the "Center"), which comprise the balance sheet as of December 31, 2014 and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Ysidro Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CAW. LLP

Fresno, California
March 26, 2015

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133Independent Auditor's Report

Board of Directors
San Ysidro Health Center, Inc.
San Ysidro, California

Report on Compliance for Each Major Federal Program

We have audited San Ysidro Health Center, Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended December 31, 2014. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, San Ysidro Health Center, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of San Ysidro Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Center as of and for the year ended December 31, 2014, and have issued our report thereon dated March 26, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CAW. LLP

Fresno, California

March 26, 2015

San Ysidro Health Center, Inc.
Schedule of Findings and Questioned Costs
For the year ended December 31, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified	
Internal Control over financial reporting: Material weakness identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs: Material weakness identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	<u> X </u> No

Major Programs

	<u>CFDA Number</u>
Community Health Custer	93.224
Ryan White Title III	93.918
Disparities in Children's Oral Health (GIFVT Project)	93.121
Dollar threshold used to distinguish Types A and B programs	\$ 399,125
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

San Ysidro Health Center, Inc.
Schedule of Findings and Questioned Costs
For the year ended December 31, 2014

II. Current Year Audit Findings and Questioned Costs

Financial Statement Findings

None Reported

Federal Award Findings And Questioned Costs

None Reported

III. Prior Year Audit Findings and Questioned Costs

None Reported